

Submissions
Electricity Authority
By email AwarenessOfUDandPS@ea.govt.nz

3 March 2020

Raising consumer awareness of Utilities Disputes and Powerswitch services

Thank you for the opportunity to provide a submission on the Authority's consultation paper "Raising Consumer Awareness of Utilities Disputes and Powerswitch services ("Paper").

Mercury is a member of the Electricity Retailers Association of New Zealand ("ERANZ") and supports the ERANZ submission on the Paper.

Our responses to the questions asked in the Paper are set out in the submission attached as an appendix to this letter.

We would also like to raise an issue that is relevant to this consultation although it has not been raised by the Authority for discussion. We share the view expressed by ERANZ that Powerswitch needs significant improvement. Currently, Powerswitch does not consider any non-price factors in a plan. Mercury offers a raft of non-price incentives that receive no recognition on Powerswitch even though, based on our direct experience, these are often factors that influence a customer's decision to switch or to stay. For example, Mercury customers receive direct benefits such as free power days, Airpoints on purchases, free energy monitoring tools and a customer loyalty programme enabling customers to earn Mercury dollars which can be shared with others or used to offset the costs of energy bills. A plan comparison website that does not consider these factors risks removing incentives on retailers to innovate in order to attract and retain customers. Counter to the purpose of the website, this reduces customer choice and thereby reduces competition.

Further, a plan comparison website that only identifies the cheapest plan, does not consider payment requirements or other factors that might make such a plan unavailable to some consumers. For example, a cheap plan that requires direct debit or credit card payment is not a feasible option for many vulnerable consumers. In this way, Powerswitch is failing to serve the consumers identified by the Electricity Price Review as most in need of assistance from the industry.

We therefore strongly encourage the Authority and Consumer NZ to upgrade Powerswitch to represent non-price factors in its plan comparison before any additional promotion of this platform is considered. This work should be undertaken before retailers are required to provide consumers with more information on Powerswitch services. This is particularly important now that Powerswitch is to become the sole plan comparison provider and as such occupies a monopoly position in this market. We note that Mercury has recently written to Consumer NZ outlining some of these concerns,

Please don't hesitate to contact Jo Christie on 0212882276 or at jo.christie@mercury.co.nz if you have any questions in relation to our submission.

Yours sincerely



Jo Christie
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Appendix A: Mercury Submission

Question	Comment
<p>Q1 – Do you agree the issues identified by the Authority are worthy of attention?</p>	<p>Mercury offers qualified support for the issues identified by the Authority. We agree that with more information, consumers are better equipped to make better choices and with more informed choice comes increased pressure on retailers to improve products and services. Mercury currently provides information about UDL services on our invoices and on our website in relation to customer complaint procedures. We are keen to assist the Authority in improving the clarity and effectiveness of the information that we provide where this has been deemed to be ineffective. We are however uncertain as to the extent that low consumer awareness of UDL and Powerswitch is caused by a lack of information or whether there are other factors resulting in consumers not contacting UDL or using the services offered by Powerswitch. Our concerns are set out below in relation to each of the Authority's identified issues.</p> <p>Problem 1 – Consumer awareness of the dispute resolution scheme is low</p> <p>The Authority identifies in the Paper that consumer awareness of UDL is estimated at between 4% and 6%. Mercury believes that this statistic is not necessarily an indicator that consumers do not know who to raise a complaint with should they have a dispute with their electricity provider. The low level of consumer recognition of the UDL brand and complaints in general is more likely to reflect the fact that retailers have very robust processes in place for dealing with any customer issues, and that these processes are delivering the right customer outcomes.</p> <p>We thought it might help the Authority to understand how our internal complaints procedure works. The process is as follows:</p> <ol style="list-style-type: none"> 1. The Mercury consultant receives complaint and makes every attempt to resolve within their prescribed authority limits. 2. If the consultant is unable to resolve, he/she will refer complaint to team leader. At this stage the customer is made aware of UDL. 3. If the team leader is unable to resolve, a formal complaint is submitted to Customer Solutions team and again the customer is made aware of UDL. 4. Customer Solutions will handle complaint until a resolution is reached. Customer Solutions makes the customer aware of UDL in all proposal documentation. Should the customer be dissatisfied with the outcome, the customer is aware that he or she can take the matter further with UDL. 5. If the customer chooses to engage with UDL, the first thing that UDL will do is check whether there is a complaint in progress with the retailer and whether the complaint is still within the 20-working day window set out by UDL's rules¹. If the complaint has exceeded 20 days or if UDL deems the complaint to be very serious, they may decide to deadlock the complaint and manage the complaint in conjunction with the customer and the retailer to the point where either a resolution is reached between customer and retailer or where the commissioner makes a decision which is binding on both parties. <p>Due to this robust internal procedure, only a very small percentage of customer complaints ever actually require resolution by UDL. In the period 1 January 2017</p>

¹ The General and Scheme rules for the Energy Complaints Scheme operated by Utilities Disputes Ltd, Definitions, page 11.



to 31 December 2019 the Mercury Engagement Centre our Customer Solutions team handled 3324 formal complaints. Out of this number only 137 deadlocks were received from UDL and Mercury's Customer Solutions team was able to resolve 94 of these cases before they were officially deadlocked. Effectively, only 43 Deadlocks took place which equates to 1% of all complaints received by Mercury during a three-year period.

These figures show a well-functioning dispute resolution process. It would be very difficult to say whether the low numbers of complaints being received by UDL were due to low awareness of the service or due to retailers successfully resolving complaints internally.

We disagree with the Authority's view at paragraph 2.6 that most complaints should be referred to UDL by the retailer. The retailer must always be the first step in the complaint process. If UDL receives a complaint and can see that a retailer has not dealt with it, they will always refer the complaint back to the retailer. It would be a waste of a customer's time and UDL resources, which are not sufficient to deal with the significant increased level of enquiry/complaint, nor would it make any sense for customers to go directly to UDL only to immediately be sent back to their retailer.

We therefore question whether there is in fact a problem that needs to be solved. We are however happy to support the Authority to work with retailers and UDL on a voluntary basis to ensure that any legitimate gaps in consumer awareness are addressed.

Problem 2: Consumers want switching tools, but some are not aware of Powerswitch

Mercury agrees that plan comparison services are important to customers however we don't agree that raising consumer awareness of Powerswitch will necessarily bring about more switching behaviour.

As we submitted to the Electricity Price Review panel in 2019,² customer inertia may be a significant and potentially insurmountable barrier in electricity. The potential savings on offer to entice consumers to switch from one retailer to another are not set at incentive levels:

“Customer research indicates that many customers require a significant saving to switch. Just 8% of respondents said the minimum amount they would need to save annually on their bill in order to seriously consider changing their company or plan was \$100 or less. Some 51 per cent said they would consider switching only if the savings were \$250 or less, and a further 30 per cent would change if savings were \$250 or more.”³

By way of comparison it is interesting to note that research for Treasury into the banking sector in 2015 found switching rates for mortgages to be “relatively competitive” at 10%.⁴ Given potential savings equating to hundreds of thousands of dollars over the life of a 30-year mortgage, it is surprising that switching activity is so low, or perhaps conversely that it is so high in the electricity market where potential savings are orders of magnitude lower.

² Mercury submission to the Electricity Price Review First Report, page 28

³ International review of electricity retail markets, Newgrange Consulting, page 25

⁴ <https://treasury.govt.nz/sites/default/files/2017-11/oia-20150371.pdf> page 9

	<p>Another reason for inertia among some consumers may be that New Zealand has a much higher focus on customer service and rewarding loyalty. Mercury for example offers direct benefits to customers through incentives such as free power days, offering Airpoints on purchases, free energy monitoring tools, discounted e-bike purchases, and a customer loyalty programme enabling customers to earn Mercury dollars which can be shared with others or used to offset the costs of energy bills. This high level of incentivisation coupled with the relatively low savings on offer from switching is likely to explain why many customers choose to stay with their existing retailer.</p> <p>For this reason, Mercury is not convinced that the issue identified by the Authority warrants the measures proposed in this Paper.</p> <p>Further, as discussed in our cover letter, until improvements are made to the Powerswitch service, Mercury is reluctant to invest resources in referring customers to what is essentially a monopoly plan comparison website that does not incentivise retailers to innovate and compete on anything other than the “sign-up” price.</p> <p>Problem 3: Low consumer awareness impacts competition and efficiency of the electricity market</p> <p>Mercury agrees that low consumer awareness impacts competition and the efficiency of the electricity market. However, as we have discussed above, it is important to consider whether what the Authority has identified is in fact a genuine lack of awareness or:</p> <ul style="list-style-type: none"> a) In the case of UDL, a system that is resolving disputes before they reach UDL and therefore there is no issue; and b) In the case of Powerswitch, customers exercising choice to remain with current electricity providers either because the low financial incentive to leave does not warrant the effort or because the non-price incentives to stay are attractive. <p>Given the difficulty in ascertaining genuine levels of consumer awareness of UDL and Powerswitch, Mercury is strongly opposed to the Authority adopting a prescriptive approach to resolving the issue. We would however, be happy to work with the industry to develop a set of guidelines to address any perceived lack of consumer awareness. Adherence to and effectiveness of these guidelines could be monitored by the Authority. This would also allow the Authority to monitor any unintended consequences such as an undesirable increase in traffic to UDL prior to deciding whether any regulatory intervention is necessary.</p>
<p>Q2 – Do you agree with the objectives of the proposed amendment? If not, why not?</p>	<p>Mercury agrees with the objective in 3.1 however we do not fully agree with the Authority’s proposed method to achieve this in 3.2. Retailers and distributors should be required to provide “clear” information about UDL and Powerswitch on their websites. We do not agree that it should be “prominent” in the manner proposed by this Paper and the Guiding Principles Information paper (Principles) or that it should apply to “all” consumer communications.</p> <p>Prominent</p> <p>Requiring retailers to add prominent messaging about dispute resolution and switching would send confusing messages to customers. A retailer aims to constantly improve customer engagement through positive messaging and incentives. When a customer visits our website or app or receives a bill, the first thing that they expect to see, based on significant levels of customer research and “voice of customer feedback” is information about Mercury services or their</p>

	<p>own personal data. They do not expect to see a promotion for another service. Both UDL and Powerswitch promotion are secondary messages that should not be given prominence on the home page of a website, app or bill. This would both dilute and confuse a retailers primary messaging and would be the directional opposite to the Human Centered Design (HCD) principles considered best practise when developing customer propositions and communications.</p> <p>There are appropriate and obvious places that consumers will naturally go to for information. A customer wishing to lodge a complaint would go to the “contact us” section of a website, app or bill. It is here that you would reasonably expect to find information about UDL. Similarly, if you wanted to know how a retailer’s product offers compared to other retailers’ products you would expect to find this link in a “Products” and/or “Pricing” section. It is here that you should find reference to Powerswitch.</p> <p>All consumer communications</p> <p>Mercury does not agree that the promotion of UDL and Powerswitch should apply to all consumer communications. The cost to implement this change would significantly outweigh the benefits (see question 3 below). Secondly, it would be inappropriate and counter-productive to require information to be delivered to consumers in every form of communication. For example:</p> <ul style="list-style-type: none"> • Customer Engagement Centre’s should not be obliged to greet customers with information about services unrelated to Mercury. This would be a negative customer experience; • Text messages can’t feasibly contain all the proposed information and still achieve the purpose of a text message, that being short and succinct messages that are quick and easy to read; • Door to door sales are an introduction to a customer and a new product. It would distort a customer experience to force a sales representative to discuss potential disputes and switching before a relationship has even commenced; <p>There are certain types of communication that will naturally be appropriate for promoting UDL and Powerswitch, for example sign up documentation, invoicing, and complaints process related communications.</p> <p>Mercury is happy to work with the EA and UDL to determine an appropriate level of promotion for Powerswitch and UDL. We strongly encourage a less prescriptive approach with retailers having the ability to decide what messaging works best for their customers and where this should be displayed.</p>
<p>Q3 – Do you agree the benefits of the proposed amendment outweigh its costs?</p>	<p>Mercury disagrees that the benefits of the proposed amendment outweigh its costs.</p> <p>High costs to retailers to implement change</p> <p>We think that the Authority has significantly underestimated the costs to retailers to implement the changes. Mercury has conducted an internal analysis and estimates the total costs to be more than \$200,000 (across all Mercury brands). This is made up of:</p> <ul style="list-style-type: none"> • Changes to all our channels – website, app, chatbot, IVR (phone); • Changes to all our templated variants we lodge with NZ Post – welcome packs, join comm’s, collections, outage notifications etc; • Changes to all our digital marketing comm’s – welcome’s, new customer nurturing, loyalty.

	<ul style="list-style-type: none"> • Compliance related costs to ensure all prescriptive requirements are being met. <p>This cost also assumes:</p> <ul style="list-style-type: none"> • Business analysis, project management, change management; • The considerable effort from our brand & marketing team to make sure that the change to every piece of comm’s meets our brand guidelines; • Updates to relevant business processes to meet the new code; • That the content is static ie: no scenario’s where we need “if x, then y”; • It is a blanket change ie: we won’t treat certain segments or customers any differently. <p>Other retailers will no doubt face similar costs, bringing the total costs to industry into a considerably higher realm than that discussed in the Paper. Even with increased consumer awareness, the Authority’s quantitative estimate of expected net benefit over the next 10 years is only \$127,000. Given the marginal benefits and the difficulty in accurately determining consumer awareness as discussed above⁵ we recommend that the Authority test the effectiveness of any changes through voluntary arrangements that have been worked on and agreed by the industry.</p> <p>Misdirection of traffic to UDL</p> <p>We note the Authority’s point at paragraph 3.16 that a financial benefit can be derived from time savings due to “consumer going directly to Utilities Disputes rather than contacting multiple agencies to identify correct complaints process.”⁶</p> <p>It is our understanding that when a consumer goes to UDL with a complaint the first thing that UDL will do is refer the consumer back to their retailer to resolve the issue. Until a complaint has reached a point that it can’t be resolved internally by the retailer, UDL does not want to become involved.</p> <p>Further, UDL will not physically be able to cope with the increased volume of complaint traffic misdirected to it if the proposed changes go ahead in current form. Bouncing consumers around in this way simply creates an extra roadblock and therefore another negative experience to add to a consumer complaint. There is no benefit for either UDL or consumers in this situation.</p> <p>The real benefit to UDL would not be how frequently and prominently its service is mentioned by retailers but rather how clearly the service is identifiable and how accurately the service is described. Mercury would welcome the opportunity to work with the Authority and UDL to prepare a voluntary guideline, based on “real-life” customer input and testing, that best suits all parties’ needs.</p>
<p>Q4 – Do you agree the proposed amendment is preferable to other options? If you disagree, please explain your preferred option in terms consistent with the authority’s statutory objective in section</p>	<p>Mercury does not agree that the proposed amendment is preferable to other options. We would prefer a voluntary arrangement along the lines outlined by the Authority at Alternative 2. The industry would develop voluntary arrangements to increase consumer awareness of Utilities Disputes and Powerswitch. We strongly support ERANZ’s suggestion to create an industry-wide working group that would meet at regular intervals to ensure compliance with the Utilities Disputes Scheme, agree common outcomes, and develop best practice in areas that are unregulated.</p>

⁵ See Mercury’s response to question 1.

⁶ Raising consumer awareness of Utilities Disputes and Powerswitch services – Consultation paper, page 11, paragraph 3.16.

15 of the Electricity Industry Act 2010.	This option avoids unnecessary cost and unintended consequences. Further, work on voluntary guidelines could commence immediately. If effective, there would be no need for an industry-led initiative to be undone by the Authority and Consumer Advisory Council, (once this is formed).
Q5 – Do you agree the Authority’s proposed amendment complies with section 32(1) of the Act?	Yes.
Q6 – Do you have any comments on the drafting of the proposed amendment?	<p>As mentioned above, our strong preference would be for a voluntary arrangement rather than a Code amendment. If, however the Authority’s proposed Code amendment is the chosen option our comments on the drafting of clause 11.30A relate to the matters we have raised above and are as follows:</p> <ol style="list-style-type: none"> 1. “Prominent” – should be removed and replaced by an adjective that does not imply that the information must be front and centre, such as “obvious”. This may seem like semantics however where information is prominent there is an implication that it should be on a front page. Information can still be obvious even if it is found on a second page. 2. Clause 11.30A(1)(b) should be deleted and replaced with a less prescriptive requirement that does not require the information to be provided on “all consumer communications”. The wording should give retailers some discretion over how they message their customers.
Q7 – Do you have any comments on the proposed principles?	<p>The Principles provide a good starting point for a voluntary working group to consider what would work best for all of industry.</p> <p>The main changes that Mercury would like to see are in relation to Principle 1 – “Communication should be prominent” and in relation to Section 3 – “Clarification of scope when providing clear and prominent information”. Principle 5 – “Communication should be appropriate” is important and should be further developed to carve out any exclusions to the requirement.</p> <p>Principle 1: Prominent</p> <p>For the reasons we have already discussed above we would replace “prominent” with “obvious”. We would remove the requirements for the promotion of UDL and Powerswitch to be on the front or first page of every communication. Throughout the principles we would give retailers a greater level of discretion in determining what “obvious” placement means on their website, app, invoice or other relevant communication.</p> <p>Principle 5: Appropriate</p> <p>This is an excellent principle. We would however like to see it applied more generously and would like to have the opportunity to brainstorm with industry over which communications are appropriate and vice versa.</p> <p>Part 3: Scope</p> <p>We would reduce “all consumer communications” that are considered “In scope” to those that retailers identify as being the most effective and appropriate communications to raise customers’ awareness of UDL and Powerswitch. Retailers should either be given a discretion in this regard or retailers should be</p>

	given the opportunity to work with the Authority in advance to determine which communications are deemed to be effective and appropriate.
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